

Introduced by Senator Morrow

February 20, 2002

An act to amend Section 783 of, and to add Section 784 to, the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1511, as introduced, Morrow. Gas and electrical corporations.

(1) Existing law requires the Public Utilities Commission to continue to enforce rules in effect on January 1, 1982, governing the extension of service by gas and electric corporations to new residential, commercial, agricultural, and industrial customers, except that the commission is required to amend those rules to permit applicants for service to install extensions of service, using the applicant's contractor, but in accordance with the commission's regulations and any applicable specifications of the electrical or gas corporation. Existing law requires the commission to request the assistance of appropriate state agencies and departments in conducting related proceedings and investigations.

This bill would permit applicants for the extension of service by gas and electrical corporations to also design extensions in accordance with these provisions. The bill would require the commission's rules on the extension of gas and electrical service to provide fair and equal opportunities for electrical and gas corporations, as well as nonregulated design and installation service providers. The bill would delete the provision requiring the commission to request the assistance of appropriate state agencies and departments in conducting related proceedings and investigations.

The bill would require the electrical or gas corporation to provide a cost-based bid for requested design or installation costs in advance, to allow the applicant to shop the bid with other nonregulated providers



of the same service. The electrical or gas corporation's bid would be required to be comparable in scope to bids of nonregulated service providers. The bill would authorize the commission to review the bids.

The bill would provide that when the electrical or gas corporation is the successful bidder for the design or installation of an extension of service, only the bid amount is to be applied to the electrical or gas corporation's rate base, to establish financial treatment that is comparable to nonregulated service bidders. The bill would also provide that when the nonregulated service provider is the successful bidder, the electrical or gas corporation may only apply to the rate base the lower of the electrical or gas corporation's bid or the verified actual cost provided by the applicant.

The bill would provide that if the cost of design and installation of the extension of service is less than the revenue based allowance of the electrical or gas corporation, the difference is to be passed through to the benefit of ratepayers, but if the cost of design and installation of the extension of service is greater than the revenue based allowance of the electrical or gas corporation, then the applicant pays the difference.

(2) Existing law requires the commission to prepare and adopt by December 31, 1972, a statewide plan and schedule for the undergrounding of all utility distribution facilities proposed to be erected in proximity to a state scenic highway in accordance with the rules of the commission relating to the undergrounding of facilities. Existing law requires the commission to coordinate its plan with local governments and require compliance with its adopted plan.

This bill would also require the commission to allow cities, counties, or cities and counties to better manage the funds allocated by electrical corporations for converting overhead facilities to underground facilities, by selecting fixed bid contracts for design and installation from both electrical corporations and nonregulated service provider bidders. The bill would require the savings achieved by the use of competitive bidding to be used to reduce the cost to the electrical corporation's ratepayers, to better allocate funds related to the undergrounding project, and to provide the opportunity to increase the amount of underground facilities that can be installed for the same cost or allocation.

The bill would require the electrical corporation to provide a cost-based bid for requested design or installation costs of an undergrounding project in advance, to allow the applicant to shop the bid with other nonregulated providers of the same service. The bill



would require the electrical corporation's bid to be comparable in scope to the bids of nonregulated service providers and would authorize the commission to review the bids in order to make a determination of comparability with the bids of nonregulated service providers.

The bill would provide that when the electrical corporation is the successful bidder for an undergrounding project, only the bid amount is to be applied to the electrical corporation's rate base and deducted from the available allocated funds, to establish financial treatment that is comparable to nonregulated service provider bidders, but if the nonregulated service provider is the successful bidder for an undergrounding project, the electrical corporation would be required to only apply to the rate base the lower of the electrical corporation's bid or the verified actual cost provided by the city, county, or city and county.

The bill would require the electrical corporation to be responsible for the inspection of the design and installation of the underground system, for operation and reliability purposes, prior to acceptance and energizing by the electrical corporation. The bill would prohibit a fee for initial inspections of nonregulated service provider designs or installations. Because under the Public Utilities Act, a violation of an order or rule of the commission is a crime, this bill would impose a state-mandated local program by expanding the definition of a crime.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. It is the intent of the Legislature in enacting the
- 2 act adding this section to do both of the following:
- 3 (a) Allow the cost savings achieved by the use of a competitive
- 4 bidding process in the design and installation of the extension of
- 5 service by gas and electrical corporations to benefit ratepayers and
- 6 applicants for new service.



(b) Allow the cost savings achieved by the use of a competitive bidding process in the conversion of overhead electrical facilities to underground electrical facilities to benefit ratepayers and cities, counties, or cities and counties.

SEC. 2. Section 783 of the Public Utilities Code is amended to read:

783. (a) The commission shall continue to enforce the rules governing the extension of service by gas and electrical corporations to new residential, commercial, agricultural, and industrial customers ~~in effect on January 1, 1982, except that the commission shall amend the existing rules to~~ and permit applicants for service to *design and* install extensions in accordance with subdivision ~~(f)~~ (e). *The rules shall provide fair and equal opportunities for electrical and gas corporations, as well as nonregulated design and installation service providers.* Except for periodic review provisions of existing rules, and amendments to permit *designs and* installations by an applicant's *nonregulated* contractor, the commission shall not investigate amending these rules or issue any orders or decisions which amend these rules, unless the investigation or proceeding for the issuance of the order or decision is conducted pursuant to subdivision (b).

(b) Whenever the commission institutes an investigation into the terms and conditions for the extension of services provided by gas and electrical corporations to new or existing customers, or considers issuing an order or decision amending those terms or conditions, the commission shall make written findings on all of the following issues:

(1) The economic effect of the line and service extension terms and conditions upon agriculture, residential housing, mobilehome parks, rural customers, urban customers, employment, and commercial and industrial building and development.

(2) The effect of requiring new or existing customers applying for an extension to an electrical or gas corporation to provide transmission or distribution facilities for other customers who will apply to receive line and service extensions in the future.

(3) The effect of requiring a new or existing customer applying for an extension to an electrical or gas corporation to be responsible for the distribution of, reinforcements of, relocations of, or additions to that gas or electrical corporation.

1 (4) The economic effect of the terms and conditions upon
2 projects, including redevelopment projects, funded or sponsored
3 by cities, counties, or districts.

4 (5) The effect of the line and service extension regulations, and
5 any modifications to them, on existing ratepayers.

6 (6) The effect of the line and service extension regulations, and
7 any modifications to them, on the consumption and conservation
8 of energy.

9 (7) The extent to which there is cost-justification for a special
10 line and service extension allowance for agriculture.

11 ~~(e) The commission shall request the assistance of appropriate~~
12 ~~state agencies and departments in conducting any investigation or~~
13 ~~proceeding pursuant to subdivision (b), including, but not limited~~
14 ~~to, the Business, Transportation and Housing Agency, the~~
15 ~~Department of Food and Agriculture, the Department of~~
16 ~~Consumer Affairs, the Department of Real Estate, the Department~~
17 ~~of Housing and Community Development, and the Department of~~
18 ~~Economic and Business Development.~~

19 ~~(d)–~~

20 (c) Any new order or decision issued pursuant to an
21 investigation or proceeding conducted pursuant to subdivision (b)
22 shall become effective on July 1 of the year which follows the year
23 when the new order or decision is adopted by the commission, so
24 as to ensure that the public has at least six months to consider the
25 new order or decision.

26 ~~(e)–~~

27 (d) The commission shall conduct any investigation or
28 proceeding pursuant to subdivision (b) within the commission's
29 existing budget, ~~and any state agency or department which is~~
30 ~~requested by the commission to provide assistance pursuant to~~
31 ~~subdivision (e) shall also provide the assistance within the~~
32 ~~agency's or department's existing budget.~~

33 ~~(f)–~~

34 (e) An electrical or gas corporation shall permit any new or
35 existing customer who applies for an extension of service from that
36 corporation to *design and* install, *or both*, a gas or electric
37 extension in accordance with the regulations of the commission
38 and any applicable specifications of that electrical or gas
39 corporation.

1 (f) *The electrical or gas corporation shall provide a cost-based*
2 *bid for requested design or installation costs in advance, to allow*
3 *the applicant to shop the bid with other nonregulated providers of*
4 *the same service. The electrical or gas corporation's bid shall*
5 *reflect all electrical or gas corporation costs related to the work*
6 *being performed, and shall be comparable in scope to private*
7 *sector bids. The commission may review the bids in order to make*
8 *a determination of comparability with the bids of nonregulated*
9 *design and installation service providers and may require a*
10 *detailed disclosure by the electrical or gas corporation of the*
11 *related utility charges being assessed by the electrical or gas*
12 *corporation to verify that any related utility charges are separate*
13 *from the cost-based bid. The bid price, not including the related*
14 *utility charges, shall be confidential and not a part of the detailed*
15 *disclosure.*

16 (g) *When the electrical or gas corporation is the successful*
17 *bidder, only the bid amount shall be applied to the electrical or gas*
18 *corporation's rate base, to establish financial treatment that is*
19 *comparable to the nonregulated service provider bidders. Design*
20 *or installation costs in excess of the electrical or gas corporations*
21 *revenue based allowance shall not be added to the electrical or gas*
22 *corporation's rate base. Additional charges by the electrical or gas*
23 *corporation shall only be permitted when an agreement of change*
24 *has been made in the scope of the job or when there is a request for*
25 *service that exceeds the lead-time stated in the bid and contractual*
26 *agreement.*

27 (h) *When the nonregulated service provider is the successful*
28 *bidder, the electrical or gas corporation shall only apply to the rate*
29 *base the lower of the electrical or gas corporation's bid or the*
30 *verified actual cost provided by the applicant.*

31 (i) *The electrical or gas corporation may not change the*
32 *comparability of bids by applying additional charges or fees for*
33 *designs or installations performed by nonregulated service*
34 *providers, that would not have been charged for designs or*
35 *installations by the electrical or gas corporation.*

36 (j) *The electrical or gas corporation shall approve the*
37 *manufactured material to be used by a nonregulated service*
38 *provider and allow the nonregulated service provider to purchase*
39 *the materials from the electrical or gas corporation and any other*
40 *acceptable suppliers.*



1 (k) *If the cost of design and installation of the extension of*
2 *service is less than the revenue based allowance of the electrical*
3 *or gas corporation, the difference shall be passed through to the*
4 *benefit of ratepayers. When the cost of design and installation of*
5 *the extension of service is greater than the revenue based*
6 *allowance of the electrical or gas corporation, then the applicant*
7 *shall pay the difference.*

8 SEC. 3. Section 784 is added to the Public Utilities Code, to
9 read:

10 784. The commission shall allow cities, counties, or cities and
11 counties to better manage the funds allocated by electrical
12 corporations for converting overhead facilities to underground
13 facilities, by selecting fixed bid contracts from both electrical
14 corporations and nonregulated service provider bidders. The
15 savings achieved by the use of competitive bidding shall be used
16 to reduce the cost to the electrical corporation's ratepayers, to
17 better allocate funds related to the undergrounding project, and to
18 provide the opportunity to increase the amount of underground
19 facilities that can be installed for the same cost or allocation.

20 (b) An electrical corporation shall permit any applicant city,
21 county, or city and county to select the electrical corporation or
22 nonregulated service provider to design or install, or both, an
23 electric conversion project in accordance with the regulations of
24 the commission and any applicable specifications and inspection
25 of that electrical corporation.

26 (c) The electrical corporation shall provide a cost-based bid for
27 requested design or installation costs in advance, to allow the
28 applicant to shop the bid with other nonregulated providers of the
29 same service. The electrical corporation's bid shall reflect all
30 electrical corporation costs related to the work being performed,
31 and be comparable in scope to the bids of nonregulated service
32 providers. The commission may review the bids in order to make
33 a determination of comparability with the bids of nonregulated
34 service providers and may require a detailed disclosure by the
35 electrical corporation of the related utility charges being assessed
36 by the electrical corporation to verify that any related utility
37 charges are separate from the cost-based bid. The bid price, not
38 including the related utility charges, shall be confidential, and not
39 part of the detailed disclosure.

1 (d) When the electrical corporation is the successful bidder,
2 only the bid amount shall be applied to the electrical corporation's
3 rate base and deducted from the available allocated funds, to
4 establish financial treatment that is comparable to private
5 nonregulated service provider bidders. Additional charges by the
6 electrical corporation shall only be permitted when an agreement
7 of change has been made in the scope of the job or when there is
8 a request for completion that is sooner than the lead time stated in
9 the bid and contractual agreement.

10 (e) When the nonregulated service provider is the successful
11 bidder, the electrical corporation shall only apply to the rate base
12 the lower of the electrical corporation's bid or the verified actual
13 cost provided by the city, county, or city and county.

14 (f) The electrical corporation shall be responsible for the
15 inspection of the design and installation of the underground
16 system, for operation and reliability purposes, prior to acceptance
17 and energizing by the electrical corporation. The electrical
18 corporation shall not charge a fee for initial inspections of
19 nonregulated service provider designs or installations, in order to
20 avoid a financial disadvantage for the nonregulated service
21 provider. The nonregulated service provider shall be responsible
22 for reimbursing the electrical corporation the cost to re-inspect any
23 corrections that are needed.

24 (g) The electrical corporation shall approve the manufactured
25 material to be used by a nonregulated service provider and allow
26 the nonregulated service provider to purchase the materials from
27 the electrical corporation and any other acceptable suppliers.

28 SEC. 4. No reimbursement is required by this act pursuant to
29 Section 6 of Article XIII B of the California Constitution because
30 the only costs that may be incurred by a local agency or school
31 district will be incurred because this act creates a new crime or
32 infraction, eliminates a crime or infraction, or changes the penalty
33 for a crime or infraction, within the meaning of Section 17556 of
34 the Government Code, or changes the definition of a crime within
35 the meaning of Section 6 of Article XIII B of the California
36 Constitution.

